



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

07/02/008

0003

March 11, 1991

TO: Board of Oil, Gas and Mining

THRU: Lowell Braxton, Associate Director, Mining *LOB*

THRU: Wayne Hedberg, Minerals Permit Supervisor *WHS for*

FROM: Holland Shepherd, Senior Reclamation Specialist *HHS*

RE: Board Review of Interim Form and Amount of Surety for Geneva Steel's Iron Mountain Sites, M/021/001, M/021/005, and M/021/008, Iron County, Utah

An overview of the permitting and surety situation at the above-referenced mines will be presented at the March briefing session. Division staff and Geneva representatives will present information to the Board, with the intent of securing a decision from the Board regarding form and amount of interim surety at the April, 1991 hearing.

Geneva Steel is currently operating several neighboring sites in Iron County. Some of these sites have been under Geneva's control for the past 2-3 years, others have been recently acquired by Geneva. A recent Division audit of the files associated with these sites, indicates that they are under bonded and inadequately permitted with the Division. To remedy the situation, the Division has asked Geneva to provide an interim surety while developing a formal MRP to cover all of these sites. A meeting was held February 20, 1991, between Division representatives and Geneva staff, to discuss the situation. During the meeting, Geneva proposed the submittal of a self bond interim surety. The interim surety is intended to pull all of the sites, being discussed here, under one large surety. The future permanent plan and surety will do the same.

The sites proposed to be covered by the interim surety include:

1. 104.5 acres of Geneva's existing Iron Mountain, Mountain Lion, Chesapeake/Excelsior, Tip Top, and Burke mining properties;
2. 36 acres UII property; and

acquired Oct/89

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acquired Oct/90

3. 253 acres of CF&I property, totaling 393.5 acres.

The acreage associated with the UII and CF&I properties have not been formally transferred to Geneva, yet, pending resolution of the existing surety and permit questions. Areas associated with the Iron Mountain permit, (Burke, Tip Top and Chesapeake/Excelsior) still require bonding. Table 1 (attached), explains the status of these sites regarding acreage, existing surety and permit status.

The existing sureties can be found under the column entitled "Surety Amount". The existing cumulative surety for the sites discussed herein totals \$887,372, as indicated on Table 1. The figures of \$217,421 and \$588,951 related to the UII and CF&I respectively, are sureties not accountable to Geneva Steel, at this time. The Division has provided two surety estimate columns at the far right of Table 1. The column entitled "Escalated Surety" provides a dollar amount for all sites based on an escalated surety to 1992 dollars. The column entitled "Cost if \$3,000/acre", provides a program average of \$3,000/acre for each site with adjustment for escalation. The assumption being that the average figure of \$3,000/acre accounts for escalation over a 5 year period and contingency costs. Because this is an interim surety, we have not developed a detailed, updated reclamation estimate, for these sites. Table 1, provides the only current estimate for these sites.

The operator has elected to accept the cumulative figure of \$1,180,500, generated from the \$3,000/acre column of figures. The operator proposes to cover this amount with a self bond. The Division concurs with this figure as an interim amount, which would be valid for a maximum 12 month period following Board approval of interim form and amount of surety. However, the Division does not support the form of surety. Historically, the Division has been unsupportive of self bond proposals and chooses to maintain this position regarding the Geneva proposal.

Please find attached to this memo, a copy of the operator's Financial Criteria required for qualification for a self bond. Reclamation Contract and Self Bonding and Indemnity Agreement modified to accommodate an interim surety will be provided to the Board prior to the March session. In the past, the Board has required an operator to have been incorporated for over 5 years before meeting the self bonding criteria. Geneva Steel has been incorporated for approximately 3 years. Also, please find attached a map depicting areas addressed under this surety request.

DOGM MINERALS PROGRAM

CHECKLIST FOR BOARD APPROVAL OF FORM AND AMOUNT OF SURETY

Mine Name Iron Mountain Mine

File No. M/021/008

Item	Provided		Remarks
	Yes	No	
Executive Summary		X	Not needed for interim surety
Location Map	X		
Reclamation Bond Estimate		X	See Table 1
Signed Reclamation Contract		X	
Signed Power of Attorney/ Affidavit of Qualification		X	n/a
Bond		X	
Surety Signoff (Other State/Federal Agencies)		X	n/a
Financial Criteria for Self Bond Qualification	X		

Table 1

Mine Properties Under the Control
of
Geneva Steel

Name and Permit Number	Acreage	Permitted	Permit Operator	Surety Amount	Date Approved	Escalated Surety **	Cost if \$3,000/ac***
I. Iron Mountain Mine - M/021/008							
1. Iron Mountain	12	yes	Geneva	\$81,000	3/89	\$74,500	\$36,000
2. Blackhawk Fines Area	27	yes	Geneva	included in above	3/89	included in above	\$81,000
3. Mountain Lion	53	yes	Geneva	Same as above	3/89	Same as above	\$159,000
4. Burke Pit	1.5	* no	Geneva	n/a	n/a	\$4,600	\$4,500
5. Cheaspeake/Excelsior	8	* SMO only	Geneva	n/a	n/a	\$24,300	\$24,000
6. Tip Top	3	* no	Geneva	n/a	n/a	\$9,100	\$9,000
II. Comstock Mine - M/021/005							
1. UII Area	36	yes	* UII	\$217,421	5/80	\$109,600	\$108,000
2. Comstock Area	265 @ (253)	yes	* CF&I	\$588,951	4/80	\$914,300	\$795,000 (\$759,000)
Totals	405.5 (393.5)			\$887,372		\$1,136,400	\$1,216,500 (\$1,180,500)
III. Keigley Quarry - M/049/001 ****							
	400			\$505,000	3/89		

* Indicates problem with the permit/non-compliance

** These sureties have been escalated to 1992 dollars

*** Indicates a program average for reclamation costs within the state of Utah

**** This site is being evaluated separately from the other Geneva properties listed above

@ Geneva indicates this permit may include 12 acres which are also bonded under the Iron Mtn. permit (265 - 12 = 253)

jb

M021008

FINANCIAL CRITERIA FOR SELF BONDING

Applicant Required to Meet One of the Following Criteria:

1. Current rating for most recent corporate bond issuance of "A" or higher (Moody's Investor Service or Standard and Poor's Corporation)

None

or

2. A. Tangible Net Worth = at least \$10 million. (Net worth minus intangibles (Goodwill and rights to patents or royalties))

125,131,000

- B. Total Liabilities/Net Worth = 2.5 times or less. (Obligations to transfer to other assets or provide services to other entities/(Total assets minus total liabilities))

1.37

- C. Current Assets/Current Liabilities = 1.2 times or greater. (Cash or other assets or resources which are reasonably expected to be converted to cash or sold or consumed within one year/Obligations which are reasonably expected to be paid or liquidated within one year)

3.25

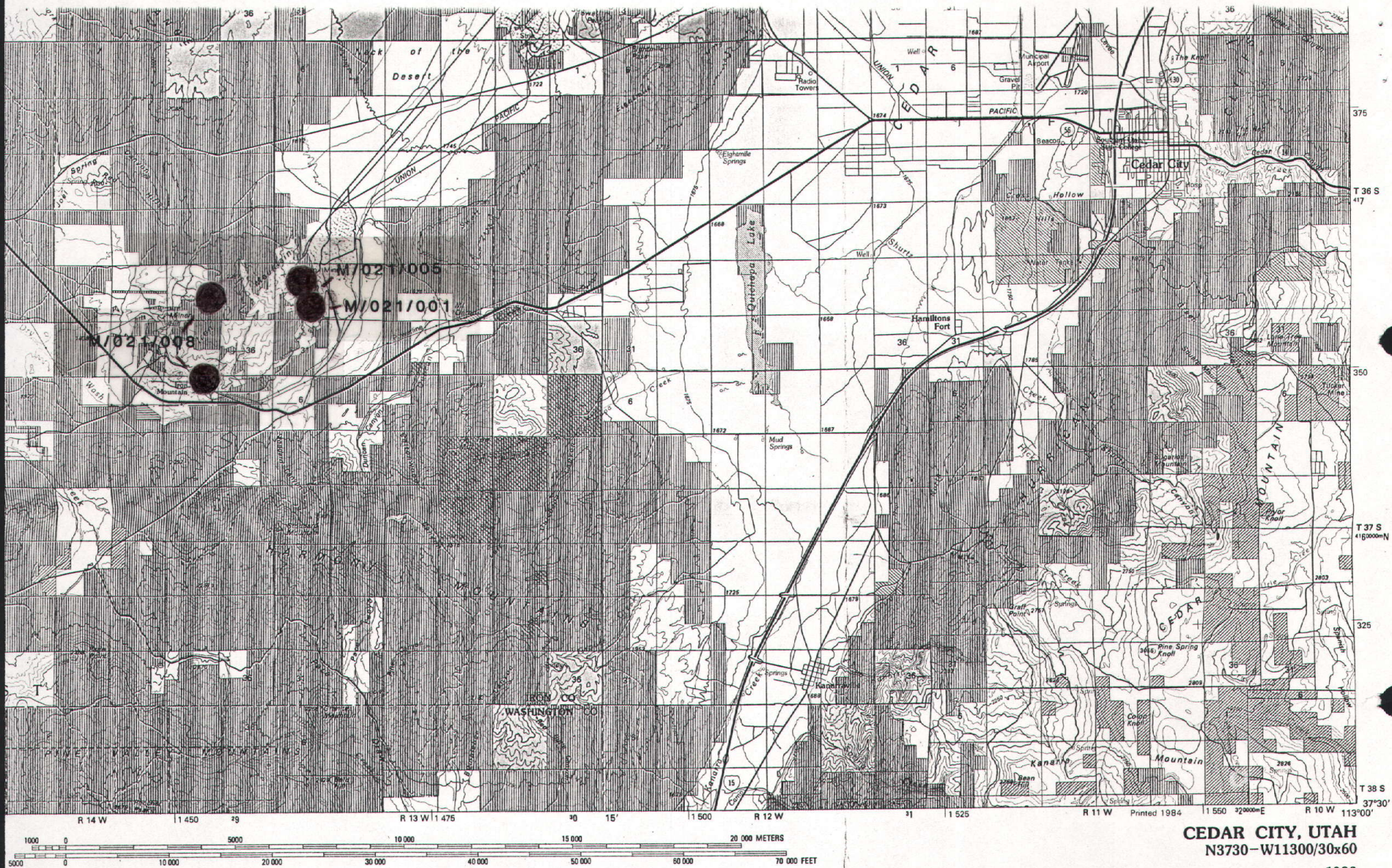
Reference: Annual Report - financial pages (26-29)
1990

or

3.

- A. Fixed assets in the United States = at least \$20 million.

96,789,000



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.....	NONE	Department of Energy (DOE)	NONE	State, County, City, Wildlife, Park and Outdoor Recreation Areas,	NONE
.....	NONE	Oregon & California Lands (O&C Lands) Administered By US Forest Service	NONE	Acquired Lands (By Administering Agency)	NONE
.....		Radio & Air Facilities	NONE		

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